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## Market Sounding – Delivery Partner for Ofwat’s Price Review 2019

### Introduction

The Water Services Regulation Services (Ofwat) will be tendering for a Delivery Partner arrangement to support our 2019 price review. A Delivery Partner is one of the solutions we are looking at to help us to meet this requirement in an efficient, responsive and cost effective way. We are using this opportunity to fundamentally think about our requirements, stimulate innovation and explore alternative methods of delivery. Therefore, from April 2018 for a period of 18 months, we are looking for partners to work with us to develop and deliver an efficient solution.

The Price Review process will conclude in December 2019 when we publish our Final Determinations. The work required to carry out for a price review, e.g. scrutinising business plans, producing Draft and Final Determinations, requires a peak of resource within Ofwat, both in terms of absolute numbers and specific skillsets. Becoming a Delivery Partner of Ofwat means more than simply providing us with access to a wide range of practical resources and skills. It also means joining an organisation who shares a commitment to excellence through delivery. Together we will work to ensure high quality delivery of the price review and facilitate an environment of shared learning and the exchange of skills and knowledge between us and our delivery partners.

We have produced a short video to explain [what a price review is](#) and our Chief Executive, Cathryn Ross, shares her view on the [themes for the next price review](#).

### Background

Ofwat is the economic regulator of water and waste water companies in England and Wales. One of the ways we deliver our duties is to set the **price, investment and performance expectations** that customers receive. Our role in the setting of price limits is to protect consumers’ interests. Most customers cannot choose their supplier, so one of the ways we do this is to decide the price and service package

(‘price controls’) that monopoly water and waste water and water only companies must deliver.

The decisions we will make as a result of the next price review (‘PR19’) will affect bills from 2020. These price controls affect the bills that customers pay and the water and waste water services consumers receive, and so are of key strategic importance.

We will consult on the way we set price controls (our ‘methodology’) in July 2017 and publish our final methodology in December 2017, before setting final price limits in December 2019. As part of the PR19 planning process, we are considering what external support we will need to deliver our key objectives.

Ofwat has circa 200 staff working across offices in Central Birmingham and Bloomsbury Street, London. Many of Ofwat’s staff will be directly or indirectly involved in delivering PR19. To enable Ofwat to deliver the process effectively and within the set timeframe, we need to ensure that we can deploy additional resources at peak times and access specialist expertise in the 2018/19 and 2019/20 financial years. We are considering a range of options to meet the additional demand including fixed term staff, secondments and a Delivery Partner.

In the PR14 process, we worked with a Delivery Partner to deliver the price review, which enabled us to draw on additional resources quickly and effectively. Taking lessons learned from the price review in 2014, we are looking for external support to provide innovation and continued benefits. To deliver the price review we will need a range of skills which will be made up by internal staff and external suppliers, including a Delivery Partner or a consortia Delivery Partner arrangement.

A Delivery Partner in the context of a price review is a strategic partner that will work collaboratively with Ofwat to deliver PR19, providing advice, analysis, assurance, knowledge sharing and learning. Therefore, at a high level, any Delivery Partner would have to be able to demonstrate:

- a working knowledge of price reviews in the water sector and/or utilities sector;
- ability to work according to [Ofwat’s values](#);
- ability to apply our governance framework principles in terms of transparency and accountability;
- flexible management of resources and ability to deal with uncertainties and potential changes;
- support Ofwat’s learning environment by sharing knowledge and delivering learning amongst Ofwat’s people;

- a commitment to knowledge transfer both throughout the contract duration and at the end of the contract;
- the ability to make sound, proportionate decisions with appropriate checks and assurance in place; and
- appropriate arrangements which ensure that Ofwat's information is protected in accordance with prevailing statutory and central government requirements.

## Market sounding

We are providing advance notice and launching a period of market sounding in advance of the formal tendering process for our delivery partner for PR19. This market sounding exercise will enable Ofwat to refine and develop an outcome based requirement and to develop a detailed specification for work required. The specification will be informed by the market engagement responses and will:

- seek progressive improvement over the life of the contract;
- help suppliers to help us;
- set out potential conflicts of interest and capacity issues; and
- enable suppliers to distinguish their offering on factors other than price.

We are seeking feedback from all interested parts of the supply chain regarding their capability to offer a solution for our PR19 delivery peak requirement. We are interested in understanding your organisation's ability to contribute towards some or all of our requirement, and particularly any innovative approaches you may propose for delivery.

We anticipate a need for between 10 and 20 full time equivalents professionals across the course of PR19. We would expect them to be located in our offices<sup>1</sup> or in an agreed location very close to our offices. We would expect the contractor to work jointly and share their learning with Ofwat staff, including knowledge transfer throughout the duration and at the end of the contract. We expect the contractor(s) to provide their own equipment/technology for the duration of the contract.

Our requirement will likely focus on the following areas:

- Water and wastewater engineering and operations;
- Regulatory economics and policy;
- Economic modelling;
- Corporate finance and tax;
- Data management and financial modelling; and

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<sup>1</sup> We have offices in London and Birmingham and would expect the supplier to work across both sites

- Quality assurance.

We will be able to provide more detail on the above, including the specific mix of skills we would intend to resource from external providers, location requirements and the exact scale of the requirement at the point of publishing the ITT. We are working towards publishing an ITT for this contract in October 2017 and appointing a delivery partner in April 2018. PR19 is expected to close by December 2019 but some support may be required after this date for a period of approximately 6 months.

## **Expressions of interest**

To influence the future procurement specification and strategy and express interest in the tender please complete the response form and return to Marc Hannis on [marc.hannis@ofwat.gsi.gov.uk](mailto:marc.hannis@ofwat.gsi.gov.uk).

Please respond by 26 May 2017.

Kind regards

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